Supreme Court, U.S.
FILED
DEC 16 2015
OFFICE OF THE CLERK

Nos. 14-1513 and 14-1520

In the Supreme Court of the United States

HALO ELECTRONICS, INC., PETITIONER

v.

PULSE ELECTRONICS, INC., ET AL.

STRYKER CORPORATION, ET AL., PETITIONERS

v.

ZIMMER, INC., ET AL.

ON WRITS OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING PETITIONERS

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QUESTION PRESENTED

Section 284 of the Patent Act provides that, if the district court finds for the claimant in a patent-infringement suit, "the court shall award the claimant damages adequate to compensate for the infringement." 35 U.S.C. 284. It further provides that the court "may increase the damages up to three times the amount found or assessed." *Ibid.* The question presented in these cases is as follows:

Whether respondents' presentation at trial of reasonable (though unsuccessful) defenses to petitioners' infringement suits precluded the district courts from awarding enhanced damages under Section 284.

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INTEREST OF THE UNITED STATES

These cases involve the interpretation of 35 U.S.C. 284, which authorizes district courts to award enhanced damages in infringement suits under the Patent Act. The Court's decision will affect the practical operation of the patent system by clarifying the circumstances in which a district court may deter and punish particularly egregious conduct by patent infringers. The United States Patent and Trademark Office (PTO) is responsible for issuing patents and, through the Secretary of Commerce, advising the

President on issues of patent policy. See 35 U.S.C. 2(a)(1) and (b)(8). Several other federal agencies also have a strong interest in the efficacy of the patent system. The United States therefore has a substantial interest in the Court's disposition of these cases.

STATEMENT

These consolidated cases concern the circumstances under which a district court may award enhanced damages for patent infringement under 35 U.S.C. 284. In both cases, the Federal Circuit held that the district court lacked authority to award enhanced damages because respondents had presented objectively reasonable (though unsuccessful) defenses at trial. See Halo Pet. App. 21a-22a; Stryker Pet. App. 21a-24a.

1. The Patent Clause of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries." U.S. Const. Art. I, § 8, Cl. 8. Title 35 of the United States Code governs the issuance of patents, and it grants a patentee "remedy by civil action for infringement of his patent." 35 U.S.C. 281. Direct patent infringement is a "strict-liability offense," and the defendant's "mental state" is therefore "irrelevant" to the determination whether infringement has occurred. *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015). A prevailing plaintiff in an infringement action is entitled to compensatory damages under 35 U.S.C. 284.

For more than 220 years, United States patent law has authorized trial courts to award enhanced damages in successful infringement suits. See pp. 11-15, *infra*. In the Patent Act of 1952, Congress reor-

ganized the patent laws and consolidated pre-existing grants of authority to award enhanced damages in Section 284.[1] That provision states that, after the amount of compensatory damages has been determined, "the court may increase the damages up to three times the amount found or assessed." 35 U.S.C. 284. This Court has described Section 284 as authorizing enhanced damages in cases involving "willful or bad-faith infringement." *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964).

2. Petitioners Stryker Corporation, Stryker Puerto Rico, Ltd., and Stryker Sales Corporation (collectively, Stryker), and respondents Zimmer Surgical, Inc., and Zimmer, Inc. (collectively, Zimmer), are the two main competitors in the orthopedic-pulsed-lavage-device market. Stryker Pet. App. 49a-50a. Such devices are used to clean wounds during surgical procedures. *Ibid.* In 1993, Stryker began to manufacture battery-powered, handheld pulsed-lavage devices, for which it eventually obtained three patents. *Id.* at 5a. When the popularity of Stryker's devices caused Zimmer's market share to drop "precipitously," Zimmer provided an independent contractor with a copy of Stryker's product and effectively instructed the contractor to "[m]ake one for us." *Id.* at 51a.

In 2010, Stryker sued Zimmer for patent infringement and requested enhanced damages under Section 284. Stryker Pet. App. 5a-6a. Zimmer "lost every argument it advanced at claim construction, then lost most of the disputed claims on summary judgment,"

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[1] Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 813; see H.R. Rep. No. 1923, 82d Cong., 2d Sess. 29 (1952); P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 216 (1993).

and ultimately "lost all of its remaining claims" in the jury trial that followed. *Id.* at 52a. The jury found that Zimmer's infringement had been "willful," *id.* at 78a, and the district court awarded compensatory and enhanced damages totaling more than $210 million, *id.* at 73a-79a, 116a-121a.

In concluding that enhanced damages were appropriate, the district court applied the test that the Federal Circuit had announced in *Seagate Technology, LLC*, 497 F.3d 1360, 1368-1372 (2007) (en banc), cert. denied, 552 U.S. 1230 (2008). Stryker Pet. App. 73a-79a, 116a-121a. Under that test, a plaintiff seeking enhanced damages must first establish, by clear and convincing evidence, that the defendant has committed "willful infringement." *Seagate*, 497 F.3d at 1368, 1370-1371. To establish willfulness, a prevailing plaintiff must show (1) that the infringer was objectively reckless by acting "despite an objectively high likelihood that its actions constituted infringement of a valid patent"; and (2) that this "objectively-defined risk * * * was either known or so obvious that it should have been known to the accused infringer." *Id.* at 1371. The Federal Circuit has since held that, if the infringer ultimately presents an objectively reasonable (though unsuccessful) defense of non-infringement or invalidity at trial, its conduct cannot be viewed as objectively reckless and an enhanced-damages award is categorically precluded. See, *e.g.*, *Bard Peripheral Vascular, Inc.*, v. *W.L. Gore & Assocs., Inc.*, 776 F.3d 837, 844, cert. denied, 136 S. Ct. 189 (2015). If the plaintiff satisfies the two-prong *Seagate* standard, the district court may then consider the totality of the circumstances to decide whether to award enhanced damages. *Seagate*, 497 F.3d at 1368-1369; *Spectralyt-*

ics, Inc. v. *Cordis Corp.*, 649 F.3d 1336, 1348-1349 (Fed. Cir. 2011) (discussing the factors potentially relevant to the exercise of such discretion under *Read Corp.* v. *Portec, Inc.*, 970 F.2d 816, 826-827 (Fed. Cir. 1992)).

The district court found that Zimmer had chosen a "high-risk/high-reward strategy of competing immediately and aggressively in the pulsed lavage market," while "opt[ing] to worry about the potential legal consequences later." Stryker Pet. App. 52a. The court emphasized that "Zimmer all-but instructed its design team to copy Stryker's products." *Id.* at 77a. The court ultimately concluded that both prongs of *Seagate*'s willfulness test had been satisfied, noting "the one-sidedness of the case and the flagrancy and scope of Zimmer's infringement," and it awarded treble damages. *Id.* at 73a-74a, 119a; see *id.* at 116a-120a (considering *Read* factors).

The Federal Circuit affirmed the district court's judgment of infringement but vacated the award of treble damages. Stryker Pet. App. 4a. As required by circuit precedent, the court applied *de novo* review to the district court's willfulness determination. *Id.* at 22a. The court of appeals concluded that, because Zimmer had ultimately asserted an objectively reasonable non-infringement or invalidity defense to each of Stryker's infringement claims, Zimmer had not acted recklessly and an enhanced-damages award was precluded. *Id.* at 22a-24a.

3. Petitioner Halo Electronics, Inc. (Halo) and respondents Pulse Electronics, Inc. and Pulse Electronics Corporation (collectively, Pulse) compete in the market for electronic components. Halo Pet. App. 4a-5a. Halo alleged that Pulse had copied its patented

"open construction" surface-mount transformers. See Halo Pet. 4; Halo Pet. App. 43a. In 2002, Halo sent Pulse two letters offering to license certain of its patents for surface-mount electronic package products. Halo Pet. App. 7a. A Pulse engineer spent approximately two hours reviewing those Halo patents and concluded that they were invalid. *Ibid.* Pulse continued to sell its surface-mount electronic package products. *Ibid.*

In 2007, Halo sued Pulse for patent infringement, and it sought enhanced damages under Section 284. Halo Pet. App. 7a. The jury rejected Pulse's invalidity defense, and it found that Pulse had infringed Halo's patents by manufacturing the competing products. *Id.* at 32a-33a. The jury also found that Pulse's infringement was "willful." *Id.* at 33a.

The district court nonetheless declined to award enhanced damages. Halo Pet. App. 65a. Because Pulse had presented an obviousness defense that was "not objectively baseless, or a 'sham,'" *id.* at 64a (quoting *Bard Peripheral Vascular, Inc.* v. *W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1007 (Fed. Cir. 2012), cert. denied, 133 S. Ct. 932 (2013) (*Bard II*)), the court concluded that Halo had not proved by clear and convincing evidence "that [Pulse] acted despite an objectively high likelihood that its actions constituted infringement of a valid patent," *id.* at 62a (quoting *Bard II*, 682 F.3d at 1005). The court therefore found that enhanced damages were precluded by *Seagate*'s first prong. *Id.* at 65a.

The Federal Circuit affirmed the district court's denial of enhanced damages. Halo Pet. App. 19a-22a. It agreed with the district court that Pulse's infringement had not been objectively reckless under *Seagate*

because, "although Pulse was ultimately unsuccessful in challenging the validity of the Halo patents, Pulse did raise a substantial question as to the obviousness of the Halo patents." *Id.* at 21a.

Judge O'Malley concurred in an opinion joined by Judge Hughes. Halo Pet. App. 25a-31a. Judge O'Malley questioned whether the Federal Circuit's two-prong "willfulness" standard was consistent with the text of Section 284 or with this Court's recent decisions in *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), and *Highmark Inc.* v. *Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014). Halo Pet. App. 25a-26a. As relevant here, she suggested that (1) a more "flexible totality of the circumstances test" should replace *Seagate*'s two-prong test, (2) the standard of proof should be "preponderance of the evidence," and (3) appellate courts should review the decision to grant or deny a fee award with greater deference to district courts. *Id.* at 28a-29a.

SUMMARY OF ARGUMENT

Section 284 authorizes district courts to award up to three times the amount of the patent holder's actual damages as a remedy for patent infringement. The text and history of that provision make clear that enhanced damages are appropriate to punish intentional, willful, or otherwise egregious conduct by infringers. For this purpose, particular conduct may qualify as especially egregious even though the infringer ultimately presents a plausible (though unsuccessful) non-infringement or invalidity defense at trial.

A. Section 284 provides that a district court "may increase the [compensatory] damages up to three

times the amount found or assessed." 35 U.S.C. 284. Although the statute does not specify criteria that the court should consider in exercising that authority, such awards have long been used to punish infringers whose misconduct is egregious in a way that ordinary infringement is not. Congress first authorized discretionary enhanced-damages awards in 1836, and it reaffirmed that authority in 1870. In the decades that followed, this Court and the courts of appeals repeatedly explained that enhanced damages were appropriate in cases where the infringer's unlawful conduct was intentional, willful, flagrant, or undertaken in bad faith. In doing so, this Court treated enhanced damages as a form of relief analogous to punitive damages, and courts applied common-law punitive-damages principles when determining whether enhancement was warranted.

In 1952, Congress reorganized the patent laws and relocated the authority to grant enhanced damages to Section 284. In doing so, however, Congress made no substantive change to the authority district courts had exercised since 1836. Section 284 therefore should be construed to ratify and incorporate the pre-existing standards under which courts could award enhanced damages to punish egregious misconduct.

B. In *Seagate Technology, LLC*, 497 F.3d 1360, 1371 (2007) (en banc), cert. denied, 552 U.S. 1230 (2008), and subsequent cases, the Federal Circuit has held that (1) enhanced damages may not be awarded under Section 284 unless the infringer's conduct was objectively reckless, and (2) a finding of objective recklessness is categorically precluded when the infringer presents a reasonable (though unsuccessful) defense to infringement at trial. See pp. 22-24, *infra*

(discussing cases). The practical effect of that approach is to bar a district court from awarding enhanced damages even against an infringer who deliberately copies a patented device, while subjectively (and correctly) believing that his conduct constitutes unlawful infringement, if the infringer is later able to muster a non-frivolous defense at trial.

The Federal Circuit's *Seagate* and post-*Seagate* decisions rest in part on the correct understanding that enhanced damages should not routinely be awarded under Section 284, but should instead be reserved for atypical cases involving the most egregious infringing conduct. The specific limitations that the court has imposed, however—and, in particular, the rule that an infringer's eventual assertion of a plausible trial defense categorically bars an enhanced-damages award—are unwarranted. And while the court in *Seagate* relied heavily on this Court's decision in *Safeco Insurance Co. of America* v. *Burr*, 551 U.S. 47 (2007), *Safeco* is distinguishable in important respects.

The Federal Circuit's interpretation of Section 284 is flawed in other ways as well. This Court should clarify that the facts relevant to enhanced damages must be proved under the preponderance-of-the-evidence standard that generally governs patent litigation. See *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014). It should also clarify that a district court's grant or denial of enhanced damages must be reviewed for abuse of discretion on appeal. *Highmark Inc.* v. *Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1747 (2014).

Because the Federal Circuit considered the enhanced-damages awards at issue in these cases

under improper legal standards, both of the decisions below should be vacated.

ARGUMENT

UNDER 35 U.S.C. 284, A DEFENDANT'S ASSERTION AT TRIAL OF AN OBJECTIVELY REASONABLE NON-INFRINGEMENT OR INVALIDITY DEFENSE DOES NOT PRECLUDE AN AWARD OF ENHANCED DAMAGES

A. Section 284 Authorizes District Courts To Award Enhanced Damages As Punishment For Especially Egregious Acts Of Patent Infringement

Section 284 provides that, after the patent holder's actual damages have been determined, the district court in an infringement suit "may increase the damages up to three times the amount found or assessed." 35 U.S.C. 284. When a particular infringer's misconduct is egregious in a way that run-of-the-mine infringement is not, an enhanced-damages award under Section 284 may be appropriate even if the defendant ultimately asserts an objectively reasonable non-infringement or invalidity defense at trial.

1. Section 284's text and history establish that enhanced-damages awards are an appropriate sanction for egregious misconduct

Although Section 284 does not specify the circumstances in which a district court may enhance damages in infringement suits, "in a system of laws discretion is rarely without limits." *Independent Fed'n of Flight Attendants* v. *Zipes*, 491 U.S. 754, 758 (1989). For more than a century before Congress enacted Section 284 in 1952, federal trial courts had been authorized but not required to award enhanced damages in successful patent-infringement suits. This Court construed the Patent Acts of 1836 and 1870 as author-

izing enhanced-damages awards to punish infringers whose actions were especially egregious. Congress effectively ratified that understanding by enacting Section 284, which consolidated the predecessor damages provisions without substantive change. See *Lorillard* v. *Pons*, 434 U.S. 575, 580-581 (1978).

a. The Patent Act of 1793 *mandated* a treble-damages award in every successful patent-infringement suit.[2] The 1836 Act eliminated that directive, authorizing but not requiring enhancement of damages in this context.[3]

Over the ensuing decades, this Court emphasized that district courts should award such enhanced damages only in atypical cases where the defendant's infringement was marked by egregious misconduct. In *Seymour* v. *McCormick*, 57 U.S. (16 How.) 480 (1854), for example, this Court explained Congress's decision to abandon mandatory treble damages in favor of the discretionary rule:

> Experience had shown the very great injustice of a horizontal rule equally affecting all cases, without regard to their peculiar merits. The defendant who acted in ignorance or good faith, claiming under a junior patent, was made liable to the same penalty with the wanton and malicious pirate. This rule was manifestly unjust. For there is no good reason why taking a man's property in an invention should be trebly punished, while the measure of damages

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[2] Patent Act of 1793, ch. 11, § 5, 1 Stat. 322 (stating that award must be "at least equal to three times" the damages); see Patent Act of 1800, ch. 25, § 3, 2 Stat. 38 (stating that award must be "equal to three times the actual damage sustained").

[3] Patent Act of 1836, ch. 357, § 14, 5 Stat. 123 (noting that "it shall be in the power of the court" to award up to treble damages).

> as to other property is single and actual damages. It is true, where the injury is wanton or malicious, a jury may inflict vindictive or exemplary damages, not to recompense the plaintiff, but to punish the defendant.
>
> In order to obviate this injustice, the Patent Act of 1836 confines the jury to the assessment of "actual damages." The power to inflict vindictive or punitive damages is committed to the discretion and judgment of the court within the limit of trebling the actual damages found by the jury.

Id. at 488-489.

Other contemporaneous decisions of this Court reflected the same approach. The Court noted that enhanced damages could be awarded "where the wrong has been done, under aggravated circumstances," *Dean* v. *Mason*, 61 U.S. (20 How.) 198, 203 (1858); or when, "in the opinion of the court, the defendant has not acted in good faith, or has caused unnecessary expense and injury to the plaintiff," *Teese* v. *Huntingdon*, 64 U.S. (23 How.) 2, 9 (1860); or when the defendant "has been stubbornly litigious," *Day* v. *Woodworth*, 54 U.S. (13 How.) 363, 372 (1852). Conversely, the Court explained that, if a defendant "has acted in good faith, and is not a wanton infringer of the plaintiff's rights," he should not "be subjected to the same stringent and harsh rule of damages which might be justly inflicted on a mere pirate." *Corning* v. *Burden*, 56 U.S. (15 How.) 252, 271 (1854). The Court likewise noted that treble damages would be inappropriate if the infringer "appeared in truth to be ignorant of the existence of the patent right, and did not intend any infringement." *Hogg* v. *Emerson*, 52 U.S. (11 How.) 587, 607 (1850).

b. In the 1870 Act, Congress carried forward the 1836 Act's grant of discretion to district courts to award treble damages in patent actions at law. Section 59 of that Act stated that district courts could make such awards "according to the circumstances of the case." Ch. 230, § 59, 16 Stat. 207. The 1870 Act also granted equity courts hearing patent suits the authority to award compensatory damages (in addition to equitable relief), and Section 55 of that Act extended to such courts "the same [authority] in [their] discretion" to award treble damages as Section 59 made available in actions at law. § 55, 16 Stat. 206.

In applying the 1870 Act, this Court continued to explain that district courts could "inflict vindictive or punitive damages" "whenever the circumstances of the case appear to require it." *Tilghman* v. *Proctor*, 125 U.S. 136, 143-144 (1888). For example, the Court suggested that it would have been appropriate to award such damages to punish a bad-faith infringer who had copied technology from his former employer and used it to start up a rival business. *Topliff* v. *Topliff*, 145 U.S. 156, 174 (1892) (nonetheless affirming denial of damages enhancement as a permissible exercise of trial court's discretion). The Court reiterated, however, that enhanced damages generally were not appropriate where "[t]here is no pretence of any wanton and wilful breach by the plaintiff" and "nothing that suggests punitive damages, or that shows wherein the defendant was damnified." *Cincinnati Siemens-Lungren Gas Illuminating Co.* v. *Western Siemens-Lungren Co.*, 152 U.S. 200, 204 (1894).

c. From 1870 to 1952, the courts of appeals applied similar standards when reviewing enhanced-damages awards under the 1870 Act. Their decisions generally

recognized that enhanced damages served a primarily punitive purpose and could be awarded against infringers whose misconduct was substantially more culpable than run-of-the-mill infringement. Thus, courts explained that enhanced damages would be appropriate when the infringer's conduct was "consciously wrongful,"[4] "wanton, deliberate, and willful,"[5] "conscious and deliberate,"[6] "deliberate and willful,"[7] or "flagrant and willful,"[8] or when the conduct involved "a bald case of piracy"[9] or the infringer "had reason to believe that it was infringing."[10] Conversely, courts recognized that enhanced damages would be inappropriate if the infringer was "honestly mistaken as to a reasonably debatable question of validity,"[11] had a "good faith contention that the patent is inva-

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[4] *Enterprise Mfg. Co.* v. *Shakespeare Co.*, 141 F.2d 916, 920-921 (6th Cir. 1944).

[5] *Power Specialty Co.* v. *Connecticut Light & Power Co.*, 80 F.2d 874, 878 (2d Cir. 1936).

[6] *Overman Cushion Tire Co.* v. *Goodyear Tire & Rubber Co.*, 66 F.2d 361, 361-362 (2d Cir.), cert. denied, 290 U.S. 681 (1933).

[7] *Baseball Display Co.* v. *Star Ballplayer Co.*, 35 F.2d 1, 3-4 (3d Cir. 1929); *W.S. Godwin Co.* v. *International Steel Tie Co.*, 29 F.2d 476, 478 (6th Cir. 1928).

[8] *Filer & Stowell Co.* v. *Diamond Iron Works*, 270 F. 489, 490 (7th Cir.), cert. denied, 256 U.S. 691 (1921).

[9] *Brown Bag Filling Mach. Co.* v. *Drohen*, 175 F. 576, 577 (2d Cir. 1910).

[10] *Fox* v. *Knickerbocker Engraving Co.*, 165 F. 442, 444 (2d Cir. 1908).

[11] *Enterprise*, 141 F.2d at 920-921.

lid,"[12] or "honestly believed that he had a right to manufacture [the infringing device]."[13]

d. Thus, when Congress enacted Section 284 in the Patent Act of 1952, it acted against the backdrop of more than a century of decisions from this Court and the courts of appeals holding that enhanced damages could appropriately be awarded in cases of egregious conduct by an infringer. Pub. L. No. 82-593, 66 Stat. 792. Although the courts had not embraced any single formulation or test, the settled understanding was that enhanced damages should not be awarded in the typical patent-infringement case, but should be reserved to punish egregious conduct that the district court concluded was intentional, willful, or undertaken in bad faith. The 1952 Act was the product of extensive study and review of the patent laws, and its drafters would have been aware of the voluminous case law interpreting the 1836 and 1870 Acts' enhanced-damages provisions. See generally H.R. Rep. No. 1923, 82d Cong., 2d Sess. 2-3 (1952) (1952 House Report).

Section 284 served "merely" to consolidate the pre-existing damages provisions in order "'to clarify the statement of the statutes.'" *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 505 n.20 (1964) (quoting 1952 House Report 10); see 1952 House Report 29; P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 216 (1993). Consistent with that congressional intent to preserve existing law, the Court has described Section 284 as allowing a patentee to recover enhanced dam-

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[12] *W.S. Godwin*, 29 F.2d at 478.

[13] *B.F. Goodrich Co.* v. *Consolidated Rubber Tire Co.*, 251 F. 617, 625 (7th Cir.), cert. denied, 247 U.S. 519 (1918).

ages "in a case of willful or bad-faith infringement." *Aro*, 377 U.S. at 508; accord *Dowling* v. *United States*, 473 U.S. 207, 227 n.19 (1985) (noting that Section 284 permits treble damages in cases of "willful infringement"). Section 284 therefore should be construed to incorporate the settled understanding of its statutory predecessors, under which enhanced damages were reserved for atypical cases where the infringer's conduct was especially egregious. Cf. *Lorillard*, 434 U.S. at 580-581.

e. This Court also has repeatedly referred to Section 284 and its predecessors as authorizing a form of "punitive damages." *Florida Prepaid Postsecondary Educ. Expense Bd.* v. *College Sav. Bank*, 527 U.S. 627, 648 n.11 (1999); see *Aro*, 377 U.S. at 508; *Tilghman*, 125 U.S. at 143-144; *Seymour*, 57 U.S. (16 How.) at 489. Under the common law, punitive damages have traditionally been limited to cases where the defendant's conduct is "outrageous," "owing to gross negligence," marked by "willful, wanton, and reckless indifference for the rights of others," or "behavior even more deplorable." *Exxon Shipping Co.* v. *Baker*, 554 U.S. 471, 492-493 (2008) (citations and internal quotation marks omitted); see generally *Kolstad* v. *American Dental Ass'n*, 527 U.S. 526, 535-539 (1999); *Day*, 54 U.S. (13 How.) at 371; 4 Restatement (Second) of Torts § 908, at 464 (1979) (Restatement) ("Punitive damages may be awarded for conduct that is outrageous, because of the defendant's evil motive or his reckless indifference to the rights of others."). Such damages are not warranted as a sanction for "ordinary negligence," but require more culpable conduct involving either some form of "wrongful purpose or intent" or "[r]eckless indifference to the rights of

others and * * * deliberate disregard of them." Restatement § 908 cmt. b, at 465.

To be sure, the enhanced damages authorized by Section 284 differ in significant respects from traditional punitive damages, since the enhancement decision is made by the district court rather than the jury and the potential enhancement is capped at three times actual damages. Cf. *Cook Cnty., Ill.* v. *United States ex rel. Chandler*, 538 U.S. 119, 131-132 (2003) ("Treble damages certainly do not equate with classic punitive damages, which leave the jury with open-ended discretion over the amount."). Nevertheless, this Court's frequent use of the word "punitive" to describe enhanced damages in patent-infringement suits, in decisions issued both before and after the enactment of Section 284, reinforces the understanding that such enhanced damages are reserved for particularly egregious conduct. That characterization also suggests that the principles governing traditional punitive-damages awards may provide useful guidance in determining whether enhancement is appropriate in a particular patent-infringement case.[14]

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[14] Some federal statutes mandate an award of treble damages in every case where the plaintiff establishes a violation of the relevant law. See, *e.g.*, 15 U.S.C. 15(a); 31 U.S.C. 3729(a)(1). Treble damages awarded as a matter of course under those statutes cannot aptly be analogized to punitive damages. As explained above, however, the federal patent laws since 1836 have rejected that model in favor of a discretionary damages-enhancement regime. This Court has construed that change as reflecting Congress's intent to reserve enhanced damages for particularly egregious cases in which the defendant's conduct especially deserves punishment.

2. *Courts may award enhanced damages in cases where the infringer's conduct appears unusually egregious*

For the reasons explained above, Section 284 empowers district courts to award enhanced damages for egregious conduct by infringers. District courts generally should award such damages only when necessary to punish and deter the sort of intentional or reckless conduct that this Court and lower federal courts identified in decisions applying Section 284's predecessors, and that has traditionally been subject to punitive-damages awards under the common law. Although there is "no precise rule or formula" to govern the district court's exercise of discretion to punish egregious conduct under Section 284, *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014) (quoting *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517, 534 (1994)), certain categories of egregious misconduct are most likely to support enhanced-damages awards under Section 284.

The paradigmatic enhanced-damages case is one in which the defendant deliberately copied the plaintiff's patented invention, despite (1) being aware of the patent, and (2) lacking any contemporaneous, good-faith belief that the copying was authorized or otherwise lawful. The Senate analysis of the bill that became the 1836 Patent Act identified the "copy[ing] [of] patented machines" as one of the "evils" at which the bill was directed. S. Doc. 338, 24th Cong., 1st Sess. 3-4 (1836). This Court agreed, noting that the 1836 Act's enhanced-damages provision permitted district judges to punish the "wanton and malicious pirate." *Seymour*, 57 U.S. (16 How.) at 488; see *Topliff*, 145 U.S. at 174. Both before and after 1952, courts regu-

larly awarded enhanced damages to punish intentional copying.[15] Although deliberate copying will often provide an appropriate basis for enhanced damages, the district court in any given case must consider all the relevant circumstances when deciding whether to make such an award.[16]

Even when the patent holder does not prove intentional copying, enhanced damages may be warranted

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[15] See, *e.g.*, *Coleman Co.* v. *Holly Mfg. Co.*, 269 F.2d 660, 665-666 (9th Cir. 1959); *Overman*, 66 F.2d at 361-362; *Baseball Display Co.*, 35 F.2d at 3-4; *Brennan & Co.* v. *Dowagiac Mfg. Co.*, 162 F. 472, 476 (6th Cir. 1908); *Weston Elec. Instrument Co.* v. *Empire Elec. Instrument Co.*, 155 F. 301, 301 (C.C.S.D.N.Y. 1907); *Lyon* v. *Donaldson*, 34 F. 789, 791 (C.C.N.D. Ill. 1888).

[16] Not all deliberate copying will support an award of enhanced damages. In some circumstances, federal law affirmatively encourages the copying of an invention claimed in a patent, such as in conducting the tests needed for pre-marketing approval of a generic drug, see 35 U.S.C. 271(e)(1), or when incentivizing generic-drug manufacturers to challenge patents they believe to be invalid through the filing of an abbreviated new drug application, see 21 U.S.C. 355(j)(2)(A), (vi), and (5)(B)(iv). The Patent Act likewise has been understood to encourage design-around innovation by insulating from enhanced-damages awards a defendant who derived its product from the patentee, but who made reasonable (though unsuccessful) efforts to design around the patent's claims. See, *e.g.*, *Westvaco Corp.* v. *International Paper Co.*, 991 F.2d 735, 745 (Fed. Cir. 1993). When a defendant who has copied and commercialized a patented invention unsuccessfully asserts an invalidity defense at trial, the district court may consider, in determining whether enhanced damages should be awarded, whether the defendant could have invoked alternative avenues for contesting the patent's validity before the PTO. See 35 U.S.C. 301-307 (ex parte reexamination), 311-319 (inter partes review), 321-329 (post-grant review); Leahy-Smith America Invents Act (America Invents Act), Pub. L. No. 112-29, § 18, 125 Stat. 329 (covered-business-method review).

if the infringer has otherwise engaged in bad faith or reckless conduct. Cf. *Seagate*, 497 F.3d at 1371. That may be true, for example, if the defendant initially develops its own product independently, but continues to make and sell it even after becoming aware that it is covered by a competitor's valid patent. Enhanced damages may also be appropriate when the infringer has engaged in particularly egregious litigation misconduct, such as deliberately destroying evidence or defying court orders.[17]

District courts should limit Section 284 enhanced-damages awards to cases involving the sorts of misconduct discussed above. In particular, as the Federal Circuit correctly recognized in *Seagate*, ordinary negligence is not a sufficient basis for imposing enhanced damages. 497 F.3d at 1371 (overruling Federal Circuit precedent permitting enhanced damages based on a "threshold" that is "akin to negligence"); Restatement § 908 cmt. b, at 465 (rejecting ordinary negligence as a basis for punitive damages). Nor can a court appropriately infer bad faith or egregious misconduct from the mere fact that the defendant, rather than acceding to a patent holder's demand letter, chooses to assert a trial defense that is ultimately unsuccessful. An innocent infringer who did not intentionally copy a patented invention or engage

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[17] See, *e.g.*, *Weston Elec.*, 155 F. at 301 (trebling damages where defendants "pursued a policy * * * of obstruction and concealment of the facts," and "transferring the assets" in an effort to "render any recovery nugatory"); *National Folding-Box & Paper Co.* v. *Elsas*, 81 F. 197, 197 (C.C.S.D.N.Y. 1897) (increasing damages where there was a "spiriting away of the books of the defendants after decree, to the great embarrassment of the accounting"), aff'd, 86 F. 917 (2d Cir. 1898).

in other willful, bad-faith, or aggravated misconduct can rely on a reasonable defense to liability without triggering enhanced damages. A contrary approach would create undue disincentives to potentially lawful and productive economic activity, and it would disserve other important Patent Act policies.[18]

Even in a case that *does* involve egregious conduct, the district court may decline to award enhanced damages based on its case-specific assessment of the particular facts and equities at issue. See *Read Corp.* v. *Portec, Inc.*, 970 F.2d 816, 826-827 (Fed. Cir. 1992) (discussing non-exhaustive list of potentially relevant considerations). Courts should exercise judgment and common sense, and they should generally reserve enhanced-damages awards for particularly egregious conduct that the court deems worthy of punishment and deterrence.[19]

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[18] See *Blonder-Tongue Labs., Inc.* v. *University of Ill. Found.*, 402 U.S. 313, 344 (1971) (noting the Patent Act's policy of "encourag[ing] authoritative testing of patent validity"); *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 658 (1983) (Stevens, J., concurring) ("It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly") (brackets and citation omitted).

[19] Historically, enhanced-damages awards were also available to compensate defendants for costs suffered as a result of unnecessary or vexatious litigation. See, *e.g.*, *Clark* v. *Wooster*, 119 U.S. 322, 326 (1886); *Teese*, 64 U.S. (23 How.) at 9; *Day*, 54 U.S. (13 How.) at 372. Since 1946, however, some of those costs have been potentially compensable pursuant to the Patent Act's attorney's-fee provision, 35 U.S.C. 285. See *Octane Fitness*, 134 S. Ct. at 1753, 1755-1756.

B. The Federal Circuit's Recent Decisions, Including Its Decisions In These Cases, Have Imposed Unwarranted Restrictions On Awards Of Enhanced Damages

As explained above, the Federal Circuit has held that (1) proof of objective recklessness is a prerequisite to an enhanced-damages award under Section 284, and (2) an infringer's eventual assertion of a plausible defense at trial categorically precludes an objective-recklessness finding. See pp. 4-5, *supra*. That court has further held that the facts supporting an enhanced-damages award must be proved by clear and convincing evidence. *Id.* at 4. The Federal Circuit has also adopted a trifurcated standard of appellate review under which the first prong of the *Seagate* test is reviewed *de novo* and the second for substantial evidence, and the ultimate decision whether to award enhanced damages for abuse of discretion. *Bard Peripheral Vascular, Inc.* v. *W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1005, 1008 (Fed. Cir. 2012), cert. denied, 133 S. Ct. 932 (2013) (*Bard II*); *Spectralytics, Inc.* v. *Cordis Corp.*, 649 F.3d 1336, 1347 (Fed. Cir. 2011).

The Federal Circuit's approach to Section 284 was motivated in large part by a justifiable concern that its pre-*Seagate* precedent had authorized enhanced damages under an overly-generous standard "more akin to negligence." 497 F.3d at 1371.[20] The Federal

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[20] The Federal Circuit's decision in *Underwater Devices Inc.* v. *Morrison-Knudsen Co.*, 717 F.2d 1380 (1983), had established an "affirmative duty to * * * seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity." *Id.* at 1389-1390. That decision both created a massive market in independent legal opinions, see Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 Berkeley

Circuit acted appropriately in seeking to ensure that enhanced damages would be reserved for the most egregious infringing conduct. The specific limitations that the court has imposed, however—and, in particular, its categorical rule that the infringer's assertion at trial of *any* objectively reasonable defense to liability precludes an enhanced-damages award—are inappropriate. That is so both because those limitations are unsupported by Section 284's text and history, and because their practical effect is to make enhanced damages unavailable for a significant class of infringing conduct that is properly viewed as especially egregious. The Federal Circuit's requirement of clear and convincing evidence, and its trifurcated standard of appellate review, are also unsound. This Court should clarify the proper analysis and vacate both of the decisions below.

1. The defendant's assertion at trial of an objectively reasonable defense to liability should not categorically preclude an award of enhanced damages

Under *Seagate*'s first prong, enhanced damages are permitted only if the infringer "acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Seagate*, 497 F.3d at

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Tech. L.J. 1085, 1090-1092 (2003), and gave rise to significant "practical concerns * * * related to the attorney-client privilege," *Seagate*, 497 F.3d at 1369. The Federal Circuit adopted the *Seagate* standard in part to address those concerns. *Id.* at 1368-1370 (overruling *Underwater Devices*). In the 2011 America Invents Act, Congress addressed those problems more directly by providing that "[t]he failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent * * * may not be used to prove that the accused infringer willfully infringed." § 17, 125 Stat. 329; 35 U.S.C. 298.

1371. The infringer's state of mind "is not relevant" to that test, and the infringer's assertion of a reasonable non-infringement or invalidity defense at trial categorically precludes an award of enhanced damages. *Ibid.*; *Uniloc USA, Inc.* v. *Microsoft Corp.*, 632 F.3d 1292, 1310 (Fed. Cir. 2011); see *Bard Peripheral Vascular, Inc.* v. *W.L. Gore & Assocs., Inc.*, 776 F.3d 837, 844 (Fed. Cir.), cert. denied, 136 S. Ct. 189 (2015) (*Bard III*) (holding that first prong of *Seagate* test cannot be satisfied "where the accused infringer has raised a 'substantial question' as to the validity or noninfringement of the patent"). In both of the cases currently before the Court, the Federal Circuit treated respondents' assertion of objectively reasonable defenses at trial as a dispositive ground for rejecting petitioners' enhanced-damages claims. See Halo Pet. App. 21a; Stryker Pet. App. 22a, 24a. That approach is unwarranted.

a. Section 284's text does not preclude an award of enhanced damages in a case where the infringer ultimately presents a reasonable defense at trial. See generally *Octane Fitness*, 134 S. Ct. at 1755-1757 (rejecting analogous "objectively baseless" requirement in construing Section 285's attorney's-fees provision). Neither Section 284's statutory predecessors nor judicial decisions construing those earlier statutes imposed that categorical limitation. For more than a century before Congress enacted the 1952 Act, this Court and the lower courts consistently recognized that enhanced damages could be appropriate based on an infringer's deliberate, malicious, or intentional bad-faith conduct. See pp. 11-15, *supra*. Those decisions do not suggest that deliberate or conscious wrongdoing cannot give rise to enhanced damages simply be-

cause the infringer or its counsel subsequently develops and presents a plausible (though unsuccessful) defense at trial. Rather, the courts in construing those provisions overwhelmingly focused on the infringer's conduct and state of mind *at the time of infringement*. *Ibid.*; see generally *Kolstad*, 527 U.S. at 535-538 (discussing importance of defendant's state of mind with respect to eligibility for punitive damages).

In *Aro*, the Court explained that enhanced damages are appropriate under Section 284 in cases of "willful *or* bad-faith infringement." 377 U.S. at 508 (emphasis added). Even if the defendant's subsequent development of a plausible defense could preclude a finding of "willfulness," *Aro* indicates that "bad faith" infringement is a sufficient basis for awarding enhanced damages. When a person engages in unlawful conduct under circumstances that would otherwise support an inference of bad faith, his subsequent development of a reasonable but unsuccessful defense to liability does not negate that inference.

b. The specific limitations imposed by the Federal Circuit disserve Section 284's purposes by insulating from enhanced-damages liability a significant class of misconduct that is properly viewed as particularly egregious. Under that approach, an infringer who intentionally infringes a patent, while aware of no facts suggesting that the patent is invalid, is wholly protected from an enhanced-damages award if it or its counsel develops a plausible defense to liability by the time of trial. See *Bard III*, 776 F.3d at 844 (holding that first prong of *Seagate* test is not satisfied if the defendant presents a "substantial question" about whether the conduct was lawful); Halo Pet. App. 20a

(same if defense presented at trial is not "objectively baseless"). Given the complexity of patent law, and the sophistication and ingenuity of the patent bar, that is a low hurdle to clear. As academic commentators have observed, "[l]awyers will generally be able to come up with plausible arguments that the patent is invalid or not infringed." Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 Berkeley Tech. L.J. 1085, 1092 (2003). The Federal Circuit's approach thus insulates a substantial subset of the "wanton and malicious pira[cy]" that enhanced patent damages have traditionally served to punish and deter. *Seymour*, 57 U.S. (16 How.) at 488; see generally pp. 11-15, *supra*.

c. In construing Section 284 to require "objective recklessness," the Federal Circuit in *Seagate* reasoned that (1) its own precedent had established "willfulness" as a prerequisite to enhanced patent damages, and (2) this Court in *Safeco Insurance Co. of America* v. *Burr*, 551 U.S. 47 (2007), had defined the term "willfully" to include objective recklessness. *Seagate*, 497 F.3d at 1368, 1370-1372; Halo Pet. App. 142a-143a (Taranto, J., concurring in the denial of rehearing en banc); see generally *Safeco*, 551 U.S. at 56-60, 68-70 (interpreting Fair Credit Reporting Act (FCRA) provision that authorized punitive damages for "willfully" violating certain requirements). The Federal Circuit subsequently held that infringing conduct cannot be deemed objectively reckless if the infringer asserts a plausible defense to liability at trial. See, *e.g.*, *Bard III*, 776 F.3d at 844. That chain of reasoning is flawed.

i. Although many prior decisions had used the terms "willful" and "willfulness" as shorthand to de-

scribe the egregious conduct that can support an enhanced-damages award, those terms do not appear in either Section 284 or its statutory predecessors. The Court in *Safeco* cautioned, moreover, that "'willfully' is a 'word of many meanings whose construction is often dependent on the context in which it appears.'" 551 U.S. at 57 (quoting *Bryan* v. *United States*, 524 U.S. 184, 191 (1998)). The Federal Circuit therefore erred in treating *Safeco* as controlling the enhanced-damages inquiry under the Patent Act. In awarding enhanced damages in pre-1952 patent cases, courts frequently used the adjective "willful" and its variants—along with other terms such as "flagrant," "malicious," "consciously wrongful," etc.—to refer to a range of egregious bad-faith or morally blameworthy conduct that especially deserved punishment. See pp. 11-15, *supra*. Section 284's text and history thus do not support a rigid rule that objective recklessness is always a prerequisite to enhanced damages.[21]

ii. The Federal Circuit's interpretation of Section 284 also reflects a misunderstanding of *Safeco*'s willfulness standard. In *Seagate*, the Federal Circuit stated that "an award of enhanced damages requires a

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[21] Zimmer suggests (Br. in Opp. 29) that Congress "tacitly endorsed" *Seagate*'s willfulness inquiry when it promulgated the America Invents Act. In fact, Congress rejected numerous proposals that would have either endorsed or rejected *Seagate*. See Stryker Br. 53-55. Congress ultimately chose not to amend Section 284, but simply to make clear that an infringer's failure to obtain advice of counsel "may not be used to prove that the accused infringer willfully infringed." 35 U.S.C. 298; see 157 Cong. Rec. 3427 (2011) (statement of Sen. Kyl) (explaining that "[t]he present bill appropriately leaves patent-damages law to common law development in the courts," and that "[t]he present bill also makes no changes to the standard for awards of treble damages").

showing of willful infringement," and that a plaintiff "must" satisfy *Safeco*'s objective-recklessness standard in order to make that showing. 497 F.3d at 1368, 1371.[22]

The Court in *Safeco* made clear, however, that the plaintiff in a FCRA suit may prove a willful violation by establishing *either* the defendant's objective recklessness or its *knowing* misconduct. 551 U.S. at 57 ("where willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well"); see *id.* at 60 ("action falling within the knowing subcategory does not simultaneously fall within the reckless alternative"). See also *United States* v. *Illinois Cent. R.R. Co.*, 303 U.S. 239, 242-243 (1938) (explaining that, in the civil context, the term "willfully" "often denotes that which is intentional, or knowing, or voluntary, as distinguished from accidental.") (citation omitted). Construing Section 284 in a similar vein would further Congress's purposes, since a person who intends to infringe (or who knows that his actions constitute infringement) is more culpable than a person who is reckless with respect to such infringement.

iii. Even if the objective reasonableness of a defendant's conduct could preclude an enhanced-damages award under Section 284, the reasonableness

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[22] In a decision issued after Stryker and Halo petitioned for certiorari in these cases, the Federal Circuit appeared to indicate that willfulness is *not* a requirement for enhanced damages if such damages are sought based on the infringer's "actual knowledge that it was infringing." *Carnegie Mellon Univ.* v. *Marvell Tech. Grp., Ltd.*, No. 14-1492, 2015 WL 4639309, at *12-*13 (Aug. 4, 2015). The court neither explained what such "actual knowledge" requires nor sought to reconcile that holding with *Seagate* and other precedent.

analysis should turn on the facts and circumstances known to the defendant *at the time of the infringing conduct*. In a variety of legal contexts, the determination whether particular actions were objectively reasonable is based on a similar time-of-action analysis. See, *e.g.*, *Kingsley* v. *Hendrickson*, 135 S. Ct. 2466, 2473 (2015) (explaining that, when assessing the "objective reasonableness" of an officer's decision to use force for Due Process Clause purposes, "[a] court must make th[e] determination from the perspective of a reasonable officer on the scene, including what the officer knew at the time, not with the 20/20 vision of hindsight"); *Rompilla* v. *Beard*, 545 U.S. 374, 381 (2005) (when assessing objective reasonableness of counsel's performance at trial, "hindsight is discounted" by assessing that performance based on "counsel's perspective at the time," "as if one stood in counsel's shoes" at the time of trial) (citation omitted). The reasonableness of a search, for example, depends on the facts available to the searching officer when the search is initiated, not on whether the search ultimately uncovers evidence of a crime. See, *e.g.*, *Terry* v. *Ohio*, 392 U.S. 1, 21-22 (1968).

Safeco is not to the contrary. The Court in *Safeco* explained that, under traditional common-law principles, a person's conduct is reckless

> if he does an act or intentionally fails to do an act which it is his duty to the other to do, *knowing or having reason to know of facts which would lead a reasonable man to realize*, not only that his conduct creates an unreasonable risk of physical harm to another, but also that such risk is substantially greater than that which is necessary to make his conduct negligent.

Safeco, 551 U.S. at 69 (emphasis added) (quoting 2 Restatement (Second) of Torts § 500, at 587 (1965)). The Court decided *Safeco* on the understanding that the defendant, at the time of its unlawful conduct, had actually relied on a reasonable (though erroneous) interpretation of the FCRA. See *id.* at 68 ("Safeco did not give Burr and Massey any notice because it thought [15 U.S.C.] 1681(m) did not apply to initial applications."). The Court did not address the question whether a defendant who fails to exercise diligence at the time of the prohibited conduct, despite an evident high risk that the conduct is unlawful, can avoid a finding of recklessness by *later* developing a plausible defense to liability.[23] And the Federal Circuit's *Seagate* and post-*Seagate* decisions have identi-

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[23] The Court in *Safeco* stated that, under the FCRA, "evidence of subjective bad faith" cannot support a willfulness finding—based on either knowledge or recklessness—when the defendant's "reading" of a statute or other legal requirement is "objectively reasonable." 551 U.S. at 70 n.20. That statement is best understood to refer to a defendant's understanding of the applicable legal requirement *at the time of the misconduct*. See *id.* at 71 n.20 (discussing circumstances where a defendant "adopt[ed]" or "followed" an "interpretation that could reasonably have found support in the courts"). The Court thus held under the FCRA that, if a defendant acts with an awareness of a reasonable ground for believing his action to be lawful, his conduct cannot be deemed objectively reckless, whatever his subjective motivation may have been. That approach is consistent with the rules that govern in other areas of the law where a time-of-action analysis applies. For example, while the reasonableness of a seizure depends on the facts available to the officer at the time the seizure is initiated, the Court's precedents "foreclose any argument that the constitutional reasonableness of traffic stops depends on the actual motivations of the individual officers involved." *Whren* v. *United States*, 517 U.S. 806, 813 (1996).

fied no precedent indicating that the assertion of a plausible defense at trial categorically bars an award of traditional punitive damages under common-law principles.

In both of the cases at issue here, the Federal Circuit concluded that respondents were not objectively reckless because they had presented reasonable (though unsuccessful) defenses *at trial*. Halo Pet. App. 21a-22a; Stryker Pet. App. 23a-24a. The court did not assess whether respondents had any reasonable basis for believing, at the time of their infringing actions, that their conduct was lawful. The decisions below therefore should be vacated even if this Court concludes that objective recklessness is a prerequisite for enhanced damages under Section 284.

2. Clear and convincing evidence is not required

The Federal Circuit's test for enhanced damages under Section 284 is also erroneous insofar as it requires willfulness to be established by "clear and convincing evidence." See *Seagate*, 497 F.3d at 1371. In *Octane Fitness*, this Court rejected the same requirement in the course of disapproving the virtually identical two-prong test the Federal Circuit had imposed for awarding attorney's fees under Section 285. 134 S. Ct. at 1758. The Court explained that (1) "patent-infringement litigation has always been governed by a preponderance of the evidence standard," (2) the preponderance standard is "generally applicable in civil actions," and (3) Section 285 "imposes no specific evidentiary burden, much less such a high one." *Ibid.* (citation omitted).

For the same reasons, facts relevant to the enhanced-damages analysis under Section 284 need be proved only by a preponderance of the evidence.

Unlike another provision of the Patent Act, see 35 U.S.C. 273(b), Section 284 does not expressly require proof by clear and convincing evidence, and we are aware of no pre-1952 decision of this Court or any court of appeals imposing such a requirement.[24] The Constitution does not require clear and convincing evidence for an award of punitive damages, see *Pacific Mut. Life Ins. Co.* v. *Haslip*, 499 U.S. 1, 23 n.11 (1991), and "imposition of even severe civil sanctions" is often governed by the preponderance standard, *Herman & MacLean* v. *Huddleston*, 459 U.S. 375, 389-390 (1983) (citing examples). In the absence of any textual or historical reason to believe that Congress intended to impose a higher burden under Section 284, the preponderance standard should apply here.

2. A district court's decision whether to award enhanced damages should be reviewed on appeal under an abuse-of-discretion standard

The Federal Circuit has established a trifurcated standard of appellate review for enhanced-damages awards, under which the first component of the *Seagate* test is reviewed *de novo*, the second component for substantial evidence, and the ultimate decision whether to award fees for abuse of discretion. See p. 22, *supra*. That approach is unfounded. The district court's decision to award (or decline to award)

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[24] The Federal Circuit appears to have first embraced the clear-and-convincing-evidence standard in *Shatterproof Glass Corp.* v. *Libbey-Owens Ford Co.*, 758 F.2d 613 (1985), cert. dismissed, 474 U.S. 976 (1985), which stated that "[t]he jurisprudence * * * uniformly requires clear and convincing evidence in support of increased damages." *Id.* at 628. But the court cited no authority for that proposition, and we are aware of none.

enhanced damages under Section 284 should instead be reviewed under a unitary abuse-of-discretion standard.

In *Highmark Inc.* v. *Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014), this Court held that an appellate court should review "all aspects" of a district court's determination with respect to Section 285 attorney's-fee awards under an abuse-of-discretion standard. *Id.* at 1747. The Court emphasized both (1) Section 285's textual commitment to the district court of the decision whether to award fees, and (2) that the district court's experience with a case "over a prolonged period of time" leaves it better positioned than the court of appeals to conduct the case-specific analysis used to determine whether a fee award is appropriate. *Id.* at 1748. The same considerations apply equally to enhanced-damages awards under Section 284.

Abuse-of-discretion review in this context need not and should not be toothless. Applying a unitary abuse-of-discretion standard "does not preclude an appellate court's correction of a district court's legal or factual error." *Highmark*, 134 S. Ct. at 1748 n.2. "[A] district court would necessarily abuse its discretion if it based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence." *Ibid.* (quoting *Cooter & Gell* v. *Hartmarx Corp.*, 496 U.S. 384, 405 (1990)). Those principles ensure that the Federal Circuit will continue to engage in plenary review of any pure legal question that may be embedded in the district court's enhanced-damages analysis. A district court would also abuse its discretion if it awarded enhanced damages under Section 284 based on the explicit understanding that

such damages should be the norm in successful infringement suits, or if it based an enhanced-damages award on purportedly exceptional circumstances that in fact are typical of such suits.

The Federal Circuit's trifurcated standard of appellate review in this context, however, is contrary to the text of Section 284 and to this Court's precedents. See *Seymour*, 57 U.S. (16 How.) at 489 ("The power to inflict vindictive or punitive damages is committed to the discretion and judgment of the court within the limit of trebling the actual damages found by the jury."); *Birdsall* v. *Coolidge*, 93 U.S. 64, 69-70 (1876). Prior to 1952, this Court and the courts of appeals uniformly reviewed enhanced-damages decisions for abuse of discretion. See, *e.g.*, *Topliff*, 145 U.S. at 174 (affirming trial court's denial of enhanced-damages award, while stating that the Court would "not have disturbed the decree of the court below, if it had seen fit to increase the damages"); *Fox* v. *Knickerbocker Engraving Co.*, 165 F. 442, 444-445 (2d Cir. 1908) (affirming discretionary award despite court's own view that award should not have been made). There is no reason to believe that Congress intended to change that practice when it enacted Section 284.

CONCLUSION

The judgments of the court of appeals should be vacated.

Respectfully submitted.

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DECEMBER 2015

APPENDIX

1. 35 U.S.C. 284 provides:

Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

2. 35 U.S.C. 285 provides:

Attorney fees

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

3. 35 U.S.C. 298 provides:

Advice of counsel

The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.